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RATING ACTION COMMENTARY

Fitch Affirms Sparkasse Hannover's Public Sector Pfandbriefe at 'AAA'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 04 Sep 2026: Fitch Ratings has affirmed Sparkasse Hannover's (A+/Stable/F1+) public-sector Pfandbriefe at 'AAA', with a Stable Outlook.

The affirmation follows Fitch's periodic review of the Pfandbrief program.

KEY RATING DRIVERS

No Rating Buffer: The 'AAA' rating of the public-sector Pfandbriefe is based on Sparkasse Hannover's Long-Term Issuer Default Rating (IDR) of 'A+', the various uplifts above the IDR granted to the program and the over-collateralization (OC) protection for Pfandbrief holders that Fitch relies on.

The public-sector Pfandbriefe are rated at a maximum of four notches above the bank's IDR: two notches each for resolution and recovery uplift. Fitch has also assigned a payment continuity uplift of six notches, but this is not used as the timely payment rating level is capped at the resolution reference point of 'AA', equal to the IDR adjusted by the two-notch resolution uplift. As a result, the covered bonds' rating is credit-linked to Sparkasse Hannover's IDR, with no buffer against an IDR downgrade.

Capped Timely Payment Rating Level: Fitch does not give credit to timely payment on the Pfandbriefe in rating cases above the program resolution reference point, due to the high obligor concentration or the cover pool. Should the largest obligors default, we assume a recovery timing of three years, which is longer than the 12-month extendible maturity of the Pfandbrief. Therefore, Fitch does not stress test cash flows for timely payments on the covered bonds in an issuer default scenario.

Cover Pool Concentration: The cover pool displays high concentration with the 10 largest borrower groups making up over half of the cover pool. The cover pool is also geographically concentrated in Lower-Saxony (79.8%), with a high concentration in the

Hannover region. Exposure to the German sovereign (AAA/Stable/F1+) has increased since our last annual review, but the risk profile of the cover pool is largely unchanged.

Large OC Cushion: Fitch has maintained its 'AAA' break-even OC of 23.5%. It incorporates a 25% reduction to our model output, since the program resolution reference point is at least 'BBB+' and the issuer has eligible assets to support a potential higher break-even OC for the rating. In our analysis, we rely on the lowest OC of the last 12 months of 53.9%. This is more than twice our 'AAA' break-even level. Considering this, and that the cover pool's key characteristics have remained stable, we have carried forward our previous model results.

Two-Notch Resolution Uplift: The covered bonds are granted a two-notch resolution uplift. Fitch considers that Germany has adopted an advanced bank resolution regime in which fully collateralized covered bonds are exempt from bail-in. The covered bonds are issued under the legislative framework of the Pfandbrief law. Pfandbriefe play an important role in German bank funding and there are several issuers with Pfandbrief licences and similar public sector cover assets.

Six-Notch Payment Continuity Uplift: The six-notch payment continuity uplift reflects the fact that the cover assets consist of public sector exposures in a developed banking market and that principal liquidity protection is provided by a 12-month maturity extension. The Pfandbriefe benefit from the mandatory inclusion of liquid assets in the cover pool at least matching the maximum negative cumulative balance of cash flows for the next 180 days. This provides effective protection of interest payments and senior expenses in excess of three months.

Two-Notch Recovery Uplift: The two-notch recovery uplift of the program reflects that the timely payment rating level is investment grade, and that Fitch did not identify material downside risks to recoveries on Pfandbriefe assumed to be in default. All cover assets and covered bonds are euro-denominated.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The public sector Pfandbriefe's 'AAA' rating would be vulnerable to a downgrade if Sparkasse Hannover's 'A+' Long-Term IDR was downgraded or if the OC Fitch relies on decreases below the 'AAA' break-even OC of 23.5%.

Fitch's 'AAA' break-even OC is likely to rise to cover increased credit losses if Germany was downgraded. This is because in tested rating scenarios above the sovereign rating to

which the program is credit-linked, the sovereign is assumed to default in our model's simulation.

If the OC that Fitch considers in its analysis drops to the legal minimum requirement of 2%, the program could only achieve a one-notch recovery uplift. As a result, the rating would likely be downgraded to 'AA+', one notch above the resolution reference point for Sparkasse Hannover's public sector Pfandbriefe.

Fitch's break-even OC for the covered bonds' rating will be affected, among other factors, by the profile of the cover assets relative to outstanding covered bonds, which can change over time, even in the absence of new issuance. Therefore, the break-even OC to maintain the covered bonds' rating cannot be assumed to remain stable.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The Pfandbriefe are rated 'AAA', the highest level on Fitch's scale, and cannot be upgraded.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Sparkasse Hannover's public-sector Pfandbrief rating is credit-linked to Germany, while in the analysis of the German sub-sovereign exposure, the sovereign is assumed not to default.

The Pfandbrief rating is also linked to Sparkasse Hannover's Long-Term IDR.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Sparkasse Hannover				
senior secured, Public Sector Covered Bonds, Public Sector Pfandbriefe	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 08 May 2026) (including rating assumption sensitivity)

Covered Bonds Rating Criteria (pub. 11 May 2026) (including rating assumption sensitivity)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 16 Jun 2026)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 26 Jun 2026)

Structured Finance and Covered Bonds Counterparty Rating Criteria Derivative Addendum (pub. 26 Jun 2026)

Covered Bonds and CDOs Public Entities' Asset Analysis Rating Criteria (pub. 07 Aug 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

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Sparkasse Hannover	EU Issued, UK Endorsed

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